



July 10, 2012

**Statement of J. Barry Barker, Executive Director, Transit Authority of River City
to The Governor's Blue Ribbon Commission on Tax Reform**

The Transit Authority of River City (TARC) provides public transportation in Louisville Metro and Bullitt and Oldham counties in Kentucky. TARC also has bus routes in Clark and Floyd counties across the river in Southern Indiana and receives funding from the state of Indiana to operate those routes.

I appreciate this opportunity to provide comments as you consider challenging issues about Kentucky's state tax code and thank you for your service.

Currently, there are no dedicated Kentucky state funding sources for public transportation which operates at some level in every county in the state. Moreover, Kentucky's Constitution prohibits the use of gas tax revenues for public transportation.

This fiscal year, a total of \$1.5 million is allocated by the state for public transportation throughout Kentucky, a slight increase from the previous year and an amount that will restore the funding to the 2008 level. Kentucky consistently ranks at the bottom – not only nationally but also compared to our neighboring states – in total dollars spent and per capita spending on public transportation.

This pattern needs to change for Louisville and all of Kentucky to achieve a more secure and successful economic future.

In Louisville, and places around the country, reliance on public transportation is growing. TARC ridership increased about 10 percent in the fiscal year that ended June 30 compared to the previous fiscal year. There are strong indications this demand will continue growing. Our population is growing older and younger people are driving less. People turn to public transportation to save on gas and the cost of maintaining a car. Others ride as a way to help the environment. For many riders, public transportation is their only option for accessing a job, other necessities and what life has to offer.

The people who ride TARC are testament to the importance of public transportation for our economy now and in the future. Seventy percent of the 50,000 trips a day on TARC are people going to or from work or school.

Yet even as the demand grows, TARC is forced this summer to raise fares and reduce service to offset an operating budget. Fares make up 15-20 percent of our budget, which is standard in the industry. The bulk of our operating budget is derived from two-tenths of one percent in occupational taxes collected in Jefferson County. This rate for TARC has remained unchanged since it was approved by county voters 38 years ago. Even in relatively good economic times, increases in this funding source are not projected to keep pace with rising expenses for such items as fuel and health care.

TARC has successfully competed at the national level for grants to fund capital investments for new buses and other operational needs. This funding is for pre-designated purposes and does not relieve the challenges of balancing the operating budget. TARC also struggles to find the local matching dollars for federal grants without impacting our operating budget and the level of service we can provide.

There are a range of tax-related changes that would allow Kentucky's public transportation agencies including TARC to provide better service and make stronger contributions to our state's economy, education and workforce development.

The state could dedicate a portion of its general funds, as other states have done, for public transportation. The American Association of State Highway and Transportation Officials (AASHTO), in its annual survey this year of state funding for public transportation, cited general funds, sales taxes, registration/license/title fees and bond proceeds as among funding sources used by other states.

Another step in the right direction would be a local-sales tax option that provides for public transportation projects or dedicated funding among possible funding targets. (State legislation that years ago authorized TARC already includes this revenue option for TARC, but the state Constitution ban on local sales tax overrides the provision.)

Kentucky could also provide a way for TARC to save on operating costs. TARC vehicles, for example, now are required to pay state motor fuels taxes, which currently cost TARC \$110,000 a year. By exempting TARC vehicles from the tax, TARC could leverage those savings for \$1.5 million in federal grant dollars.

At a time when more people are turning to TARC, continued fare increases and service reductions are the wrong direction for our community and state. TARC will continue to focus on providing the best service possible with current limited resources and revenue options. Changes in the state tax code and more revenue options could help build a more vibrant public transportation network in Louisville and throughout the state, a critical need for economic success in the future.